

**FILED**

JAN 04 2010

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United States Bankruptcy Court  
San Jose, California

Benyam and Paula R. Mulugeta  
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Debtors in Possession

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA

In Re;

Benyam and Paula R. Mulugeta	)	Case No. 09-51900 ASW
	)	CHAPTER 11
	)	
Debtors	)	Date: January 8, 2010
	)	Time: 2.00 pm
	)	Room: 3020
	)	
	)	Judge: The Honorable A. Weissbrodt

**STATUS CONFERENCE STATEMENT**

Debtors, Benyam and Paula R. Mulugeta (jointly "Debtors") submit this Status Conference Statement.

**I. Summary Background Regarding Debtors.**

Debtors' main line of business and holdings is real estate. Debtors have been in real estate business for over 25 years. Debtor, Benyam Mulugeta, has been real estate broker and licensed in the State of California for over 25 years. Debtors are the owners of seven residential and commercial properties generally described as follows:

1. 1025 Harker Ave. Palo Alto, Ca. Debtors' residence. Debtors have been fixing the property the past four months to prepare it for rental. Debtors will be renting the main house, which has 5 bedrooms and 3 bathrooms, starting **January 15, 2010 for \$6,500.00** and moving to the in-law unit of the property in order to cut expenses and be able to pay the loans. In addition, Debtors will try to modify the loans, and hoping to pay the pre-petition and make the loan current from the sale of "Harrison"\* property.
2. 1339 Sevier Ave. Menlo Park, Ca. A single family residence is used as a rental property. Debtors have started making monthly payment in the amount of **\$1,800.00 per month** to the lender, Wells Fargo Bank, of the property. Debtors would like to negotiate for modification of the loan; at this time selling it or foreclosure will have huge tax liability, since Debtors purchased the property 25 years ago for \$60,000.00. This is Debtors first property. Debtors would like to keep the property after making the loan current from the sale of "Harrison" property.

1 3. 240 E.O'Keefe East Palo Alto, Ca. A 21 Unit apartment building  
2 located in East Palo Alto, Debtors have remodel and rented all  
3 but 2 units vacant, one of the vacant will be rented before  
4 February 1<sup>st</sup>, 2010. **Debtors have been making post-petition**  
5 **payments in the amount of \$9,817.70 per month to Sterling Saving**  
6 **Bank, 1<sup>st</sup> lien holder.** Debtors are planning to submit a plan near  
7 future. Sterling Saving Bank had appraised the property a month  
8 ago. Debtors believe the property has equity and essential for  
9 Debtors reorganization. In addition, since the property has cash  
10 flow it is essential for Debtors reorganization and ability to  
11 pay junior creditors. Debtors believe, and the appraisal done by  
12 the lender on November, 2009 also proves, that Sterling Saving  
13 Bank interest and security is safe. Debtors had an offer for  
14 \$2,750,000.00 from a buyer on November 5, 2009. However, the  
15 buyer backed out off the deal after finding out that the Debtors  
16 are in bankruptcy and that there was a trustee sale schedule on  
17 the property, thinking they can get it for much lower price than  
18 they offered.

19 4. 353 Grand Ave. Oakland, Ca. A 3 story, 21 unit apartment building  
20 with 4 commercial units on the street level. The property was  
21 vacant over six months for renovation and to address code  
22 violation, the City of Oakland wrote. The Debtors and their  
23 entire family had worked on the property for several months to  
24 make it ready for rent, and currently of the 21 units 16 are  
25 rented, and all the commercial units also are rented. This  
26 property was one of the reasons why the Debtors got into  
27 financial problem and forced to file chapter 11. However,  
28 currently, the Debtors make the property stable and make it able  
to generate rental income. The lender, Sterling Saving Bank had  
appraised the property on November, 2009, Debtors believe that  
the property appraised well. Thus, Sterling Saving Bank interest  
and security is safe. "Grand" is one of the property which is  
essential for Debtors reorganization and for Debtors ability to  
pay their other creditors. **Debtors have been making post-petition**  
**payments to the lender, Sterling Saving Bank in the amount**  
**\$10,505.20 per month.**

29 5. 2332 Harrison, Oakland, Ca. A 5 story, 156 rooms' hotel, located  
30 near Lake Merritt. Debtors are currently working with a buyer,  
31 Trading Spaces, which **offered \$7,000,000.00 "As Is"**. The buyer  
32 had done inspection, appraisal, and put **over \$470,000.00** for bond  
33 in order to obtain the loan. Debtors believe based on the action  
34 and evidence of the buyer and their current correspondence that  
35 the buyer has all intention and ability to buy the property. **The**  
36 **property "Harrison" has huge equity based on the appraisal and**  
37 **the offers Debtors had received, and essential property for**  
38 **Debtors to be able to organized and get out off bankruptcy.** If  
Debtors are not allowed to sale the property, and pay their  
creditors the whole case will be jeopardize, and Debtors will be  
seriously damaged and all junior creditors will be wiped out, if  
one creditor, Lone Oak Fund, to be allowed foreclosed or grant a

1 relief from stay and take a disproportionate share of the estate  
2 (equity) to the detriment of other creditors. Debtors had order  
3 new full fledged appraisal to show that the property is **not "under**  
4 **water"** and it has equity which is essential to Debtors  
5 reorganization and to come out of bankruptcy, and to be able to  
6 pay their creditors. **Debtors have been paying the lender, Lone**  
7 **Oak Fund, \$30,000.00 per months November and December, 2009.**  
8 **Debtors have intention to continue to make payment to Lone Oak**  
9 **Fund until Debtors sale or refinance the property. Debtors**  
10 **requested loan modification on December 16, 2009, and waiting to**  
11 **hear from the lender. The property, "Harrison" has EQUITY AND**  
12 **ESSENTIAL FOR DEBTORS REORGANIZATION AND ABILITY TO PAY THEIR**  
13 **CREDITORS AND COME OUT OF BANKRUPTCY. DEBTORS WILL TRY TO SUMMIT**  
14 **A NEW APPRAISAL TO THE COURT ON OR BEFORE JANUARY 8, 2010.**  
15 Debtors also submit that the interference by Lone Oak Fund, added  
16 with the current economic condition make it very hard to market  
17 and sale "Harrison." Debtors request the court to put some kind  
18 of injunction for Lone Oak Fund to stop its interference and  
19 harassment.

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21  
22 6-1112 and 1114 Chaucer, Berkeley, Ca. 2 single family houses (duplex)  
23 located in Berkeley. Since the property had high vacancy and turn  
24 around, the rental income was not constant. The income generated from  
25 the property the past seven months went to fix either the front unit  
26 or the back unit. For example, the back unit, which is 1114 Chaucer,  
27 the tenant is moving out after 5 months of staying at the unit, now  
28 the Debtors have to paint and clean up, which result in a lose of  
one month or two months of income until they find another tenant.  
**Debtors will propose to the court and the lender to start making**  
**\$1,800.00 per month which is stable income from the front unit, the**  
**tenant has the plan to stay for a long time.** Since the property has  
equity it is one of essential property for Debtors reorganization.

7- 5401 Brann, Oakland, Ca. a single family home used as rental.  
Debtors have started **making \$1,500.00 payment to the lender,** Bank  
of America. The property is "under water", however, Debtors would  
like to keep the property, selling it or foreclosure will create  
a huge tax liability to the estate. Debtors have a plan to make  
the loan current from the sale of "Harrison" property.

## II- PLAN

Debtors will submit a formal reorganization plan very near  
future, to show how they are planning to resolve their financial  
problem and pay their creditors.

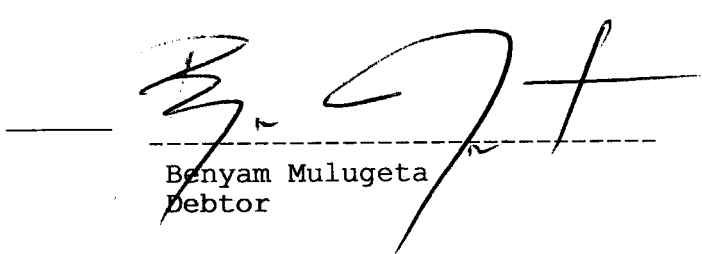
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**III- ATTORNEY**

Debtors currently are not represented by an attorney. However, Debtors had contacted several Chapter 11 lawyers to represent them in their Chapter 11 case. Debtors will submit a motion to ask the court to get a permission to borrow against the estate to hire one of the attorneys they had contacted. Currently, Debtors getting legal advice from Mr. Razi A. Shah, attorney at law, who is assisting the Debtors in the State case, and Ms. Fayedine Coulter, attorney at law.

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**IV. RECOMMENDATION**

Debtors recommend the court to continue the Status Conference for 60 days at which time Debtors should have resolution on "**Harrison**" property, and either move to dismiss their chapter 11 case or submit a formal reorganization plan.

Dated: January 4, 2010

  
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Benyam Mulugeta  
Debtor